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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
BELLA VISTA WATER CO., INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

Docket No. W-02465A-09-0411

IN THE MATTER OF THE APPLICATION OF
NORTHERN SUNRISE WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

Docket No. W-20453A-09-0412

IN THE MATTER OF THE APPLICATION OF
SOUTHERN SUNRISE WATER COMPANY.,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WATER RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

Docket No. W-20454A-09-0413

IN THE MATTER OF THE JOINT
APPLICATION OF BELLA VISTA WATER
CO., INC., NORTHERN SUNRISE WATER
COMPANY, INC., AND SOUTHERN
SUNRISE WATER COMPANY., INC., FOR
APPROVAL OF AUTHORITY TO
CONSOLIDATE OPERATIONS, AND FOR

Docket No. W-02465A-09-0414

Docket No. W-20453A-09-0414

Docket No. W-20454A-09-0414

1 THE TRANSFER OF UTILITY ASSETS TO
2 BELLA VISTA WATER CO., INC,
3 PURSUANT TO ARIZONA REVISED
4 STATUTES 40-285.

5 **NOTICE OF FILING**

6 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
7 Testimony Summary of Jodi A. Jerich in the above-referenced matter.

8 RESPECTFULLY SUBMITTED this 20th day of July, 2010.

9 
10 Michelle L. Wood
Counsel

11 AN ORIGINAL AND THIRTEEN COPIES
12 of the foregoing filed this 20th day
of July, 2010 with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington
Phoenix, Arizona 85007

16 COPIES of the foregoing hand delivered/
mailed this 20th day of July, 2010 to:

17 Jane L. Rodda
18 Administrative Law Judge
Hearing Division
19 Arizona Corporation Commission

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14 By Cheryl Fraulob
15 Cheryl Fraulob
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BELLA VISTA WATER COMPANY, INC.
DOCKET NO. W-02465A-09-0411 ET AL.

SUMMARY OF THE TESTIMONY OF JODI A. JERICH
ON BEHALF OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

RUCO believes, as a general rule, that cost of service rate design is the cornerstone to sound ratemaking. However, based on the individual facts and circumstances of this docket, RUCO would not object to a consolidated rate design for the Bella Vista, Northern Sunrise and Southern Sunrise water systems.

RUCO believes the Commission could find that the policies in favor of rate consolidation outweigh those policies against rate consolidation as applied to the facts surrounding this case.

In summary, RUCO does not object to rate consolidation for the following reasons:

1. All three systems have similar water consumption patterns so a consolidated rate design would not distort price signals and contradict the Commission's important goal of water conservation.
2. The three systems draw from the same water source.
3. Two of the three systems (Bella Vista and Southern Sunrise) are physically interconnected and the third system (Northern Sunrise) is only six miles from Bella Vista. Liberty is in essence a "regional" water provider.
4. The utility has a history of acquisition of small water utilities and rate consolidation. In 1999, it acquired Nicksville Water and consolidated its rates with Bella Vista (Decision No. 61730). In 2006, the utility acquired the McLain water systems and consolidated its seven systems into the Northern and Southern Sunrise systems (Decision No. 68826).
5. Rate consolidation could encourage the Company to purchase other small, struggling water systems. In general, rate consolidation provides an incentive for larger water utilities to acquire small water systems that lack economies of scale to adequately maintain their systems at an affordable rate for its customers. East Slope Water, Antelope Run and Indiada are small water utilities located within five miles of the Liberty systems and have pending ADEQ enforcement cases. While Bella Vista does not signal an interest in the purchase of

these companies at this time, a consolidated rate design may lead to future consideration of acquiring one or more of these systems.

If the Commission finds that consolidation is the appropriate outcome, it should consider RUCO's proposal to mitigate the magnitude of the initial revenue shift and to avoid one system (Bella Vista) bearing an increase so that the other two systems receive an unearned decrease. As such, RUCO proposes its Option G. The purpose of Option G is to keep the increase for Bella Vista customers as low as possible while avoiding an increase in rates for the Northern Sunrise and Southern Sunrise customers.

Attached to this summary is a Second Revised Exhibit C which updates the original Exhibit C with figures from Staff's Surrebuttal Testimony and the Company's Rejoinder Testimony.

Company	Current Rates	A Liberty Water Direct Stand Alone Rates	B Liberty Water Rejoinder Consolidated Rates	Delta ¹ (B - A)	C Staff Surrebuttal Stand Alone Rates	D Staff Surrebuttal Consolidated Rates	Delta ² (D - C)	E RUCO Surrebuttal Stand Alone Rates	F RUCO Surrebuttal Consolidated Rates	Delta (F - E)	G RUCO Modified Surrebuttal Consolidated Rates	Delta (G - E)
5/8" x 3/4" metered # of customers / Avg. gallons												
Bella Vista 7,377 / 6,612	\$22.90	\$30.40 \$7.51 / 32.79% Revenue Increase \$958,701 / 27.19%	\$30.57 \$7.67 / 33.50%	\$0.17	\$26.37 \$3.48 / 15.18% Revenue Increase \$166,411 / 4.72%	\$22.32 -\$0.57 / -2.50%	-\$4.05	\$24.83 \$1.93 / 8.44% Revenue Increase \$153,798 / 4.36%	\$27.53 \$4.64 / 20.26%	\$2.70	\$25.18 \$2.28 / 9.94% (\$2.36 credit)	\$0.35
Northern Sunrise 348 / 5,755	\$43.08	\$105.12 \$62.04 / 144.02% Revenue Increase \$256,044 / 133.38%	\$28.50 -\$14.58 / -33.84%	-\$76.62	\$81.62 \$38.54 / 89.47% Revenue Increase \$165,724 / 86.33%	\$20.61 -\$22.47 / -52.15%	-\$61.01	\$82.72 \$39.65 / \$92.04% Revenue Increase \$161,291 / 84.02%	\$25.45 -\$17.63 / -40.93%	-\$57.27	\$43.08 \$0.00 / 0.00% (\$17.63 surcharge)	-\$39.64
Southern Sunrise 786 / 5,581	\$42.60	\$75.15 \$32.55 / 76.41% Revenue Increase \$309,090 / 69.59%	\$28.08 -\$14.52 / -34.09%	-\$47.07	\$57.77 \$15.17 / 35.61% Revenue Increase \$140,492 / 31.63%	\$20.26 -\$22.34 / -52.43%	-\$37.51	\$51.58 \$8.99 / 21.10% Revenue Increase \$75,045 / 16.90%	\$25.02 -\$17.58 / -41.26%	-\$26.56	\$42.60 \$0.00 / 0.00% (\$17.58 surcharge)	-\$8.98
Revenue Increase	\$0	\$1,523,835	\$1,130,251		\$472,627	\$442,373		\$390,134	\$457,311		\$457,311	
Gross Revenue	\$4,162,135	\$5,685,971	\$5,292,386		\$4,634,762	\$4,604,508		\$4,552,270	\$4,619,447		\$4,619,447	

¹ "Delta" is the amount shifted due to the proposed consolidated rate design compared to the proposed stand alone rate design.

² Staff's rate design shifts revenue recovery away from the 5/8 x 3/4 inch metered residential class to the small commercial class and other larger metered classes. Under Staff's rate design, commercial customer provide an overall 24.5% return compared to an overall 2.3% return for residential customers. RUCO's rate design is very similar to the Company's rate design with respect to the allocation of revenue among the classes.